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LAFAYETTE HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

LAFAYETTE HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Lafayette Habitat for Humanity, Inc.
Lafayette, Louisiana

We have audited the accompanying Statement of Financial Position of Lafayette Habitat for Humanity, Inc. (a nonprofit organization) as of June 30, 2011, and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Habitat for Humanity, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lafayette Habitat for Humanity, Inc. taken as a whole. The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

November 1, 2011
Lafayette, Louisiana

LAFAYETTE HABITAT FOR HUMANITY, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011**

ASSETS

CURRENT ASSETS

Cash	\$ 15,443
Escrow Deposits	48,227
Non Interest Bearing Mortgages Receivable	227,486
Less Discount for Interest Rates	(19,705)
Prepaid Insurance	8,736
Inventories	<u>977,675</u>
Total Current Assets	<u>1,257,862</u>

PROPERTY AND EQUIPMENT (NET)	<u>10,346</u>
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OTHER ASSETS

Non Interest Bearing Mortgages Receivable	2,176,627
Less: Discount for Interest Rates	<u>(110,754)</u>
Total Other Assets	<u>2,065,873</u>

TOTAL ASSETS	<u>\$ 3,334,081</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 19,403
Accrued Payroll and Related Liabilities	3,186
Current Maturities of Long-Term Debt	7,116
Escrow Deposits Payable	45,454
Rent Payable	<u>4,331</u>
Total Current Liabilities	<u>79,490</u>

LONG-TERM LIABILITIES

Grant Payable	358,201
Long-Term Debt (Less Current Maturities)	<u>91,581</u>
Total Long-Term Liabilities	<u>449,782</u>

TOTAL LIABILITIES	<u>529,272</u>
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NET ASSETS

Unrestricted	<u>2,804,809</u>
Total Net Assets	<u>2,804,809</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,334,081</u>
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The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE HABITAT FOR HUMANITY, INC

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT			
Contributions and Grants			
Cash	\$ 30,733	\$ 202,547	\$ 233,280
Services & Materials	42,103	-	42,103
Special Event Revenue	18,970	-	18,970
Total Public Support	<u>91,806</u>	<u>202,547</u>	<u>294,353</u>
REVENUES			
Sales to Homeowners	477,000	-	477,000
Amortization of Mortgage Discounts	7,605	-	7,605
ReStore Revenues	134,378	-	134,378
Other Income	3,114	-	3,114
Total Revenues	<u>622,097</u>	<u>-</u>	<u>622,097</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments	<u>273,542</u>	<u>(273,542)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	<u>987,445</u>	<u>(70,995)</u>	<u>916,450</u>
EXPENSES AND LOSSES			
Program Services			
Construction	661,268	-	661,268
ReStore	89,140	-	89,140
Supporting Services			
Management and General	246,919	-	246,919
Fundraising	7,295	-	7,295
Total Expenses	<u>1,004,622</u>	<u>-</u>	<u>1,004,622</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(17,177)</u>	<u>(70,995)</u>	<u>(88,172)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,667,604</u>	<u>70,995</u>	<u>2,738,599</u>
Prior Period Adjustment	<u>154,382</u>	<u>-</u>	<u>154,382</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,804,809</u>	<u>\$ -</u>	<u>\$ 2,804,809</u>

The Accompanying Notes are an Integral Part of These Statements

LAFAYETTE HABITAT FOR HUMANITY, INC.

**STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets \$ (88,172)

Adjustments to Reconcile Change in Net Assets
to Net Cash Flows From Operating Activities

Depreciation	9,204
Transfers to Homeowners Net of Discounts	(416,436)
Amortization of Mortgage Discounts	34,604
Changes in Assets and Liabilities	
Escrow Deposits	(46,661)
Grants and Contributions Receivable	99,377
Prepaid Insurance	(1,811)
Inventories	(27,893)
Technical Overdraft in Cash Account	(5,579)
Accounts Payable	(16,082)
Accrued Payroll and Related Liabilities	4,189
Escrow Deposits Payable	14,538
Grant Payable	<u>358,200</u>

Net Cash Used In Operating Activities (82,522)

CASH FLOWS FROM INVESTING ACTIVITIES

Collections on Mortgage Receivables 101,907

Net Cash Provided By Investing Activities 101,907

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Long-Term Debt (7,521)

Net Cash Used In Financing Activities (7,521)

NET INCREASE IN CASH AND EQUIVALENTS 11,864

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 3,579

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 15,443

The Accompanying Notes are an Integral Part of These Statements

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Operations – Lafayette Habitat for Humanity, Inc. (Habitat) (a non-profit organization) was incorporated in 1992, with offices in Lafayette, Louisiana. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a non denominational, Christian, nonprofit organization whose purpose is to create decent, affordable housing for those in need. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

As an extension of its primary purpose, Habitat operates a ReStore in Lafayette, Louisiana. The ReStore obtains donated materials, and sells the materials at a significant discount from retail prices. Proceeds from the sales of donated items are used to support the programs which carry out the primary purpose of the organization.

Revenue Recognition – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Transfers to homeowners are recorded when a home is occupied and title is transferred. The transfer is recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted, ranging from 7.69% to 8.78%, based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight line method over the lives of the mortgages.

Habitat also executes a second or third mortgage, depending on the applicability of existing programs, with homeowners upon transfer of the home. The amount of these mortgages is approximately equal to the difference between the sales price and the fair market value of the home. These mortgages bear no interest, and the homeowner is discharged from his/her annual payment so long as he/she is not in default on the first mortgage. No amount is included in the financial statements for these mortgages as collection is contingent upon future events and is generally unexpected and unintended.

Income Taxes - The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Income determined to be unrelated business income is taxable.

Escrow Deposits – Habitat currently services the mortgages on the homes it sells. Payments received from families for their closing costs or escrow items are segregated into a non-interest bearing cash account. Escrow balances are maintained for funds paid to satisfy future insurance and property tax obligations. The current balance in the escrow account is \$48,227, with related escrow liabilities totaling \$45,454.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories – Inventories consist of occupied homes not closed and homes under construction valued at costs incurred, exclusive of contributed labor. The following is a summary of home building activity for the year ended June 30, 2011:

	<u>Number</u>	<u>Costs</u>
Occupied homes not closed and homes under Construction, June 30, 2010	15	\$ 949,782
Costs incurred during year ended June 30, 2011		
New homes started	9	417,738
Homes transferred	<u>(6)</u>	<u>(389,845)</u>
 Occupied homes not closed and homes under construction, June 30, 2011	 <u>18</u>	 <u>\$ 977,675</u>

ReStore inventory mostly consists of donated building materials available for sale. The value of the items received for resale is not accurately known, thus Habitat recognizes the value of the item when it is sold, and chooses not to carry the inventory of donated items in the financial statements. The value of the donated items is recognized at the time of sale, with no corresponding cost of sale recognized.

Property and Equipment - Property and equipment are valued at historical cost for assets purchased and at fair market value at the time of donation for donated assets. Habitat capitalizes additions of property and equipment that exceed \$2,500. The equipment is depreciated on a straight-line basis over the assets useful lives. Depreciation expense was \$9,204 for the year ended June 30, 2011.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Contributed Services – Volunteers provide substantial services to Habitat. Services provided by volunteers building homes are measured either by the fair value of the services received, or the increase in value of the home, whichever is more objectively determinable. During the year ended June 30, 2011, \$42,103 in services and donated materials were recognized on homes transferred.

LAFAYETTE HABITAT FOR HUMANITY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. CASH AND INTEREST BEARING ACCOUNTS

Cash and interest bearing accounts consisted of the following at June 30, 2011:

<u>Unrestricted</u>	
Chase Checking	\$ 12,156
Raymond James	<u>3,287</u>
Total	<u>\$ 15,443</u>
 <u>Reserved</u>	
Iberia Bank Escrow Account	<u>\$ 48,227</u>

C. MORTGAGES RECEIVABLE

At June 30, 2011, there were 59 1st mortgages outstanding totaling \$2,404,113. Mortgage payments are due on the first of each month and considered late if not received by the 16th of the month. All reasonable efforts are made by Habitat to bring a mortgage back into good standing if it becomes delinquent. If those efforts are unsuccessful, Habitat may initiate foreclosure proceedings to be handled by an attorney. Habitat allows the homeowner to relinquish the home back to the Habitat with a deed in lieu of foreclosure. Since the fair market value of the houses exceeds the related mortgage balance, no allowance for uncollectible loans has been recorded.

LAFAYETTE HABITAT FOR HUMANITY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

C. MORTGAGES RECEIVABLE- continued

Maturities of Mortgages Receivable are as follows:

Year Ended June 30,	
2012	\$ 227,486
2013	143,121
2014	143,120
2015	143,121
2016	143,121
Thereafter	<u>1,604,144</u>
Total	<u>\$ 2,404,113</u>

D. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

Trucks	\$ 55,750
Tractor	<u>18,895</u>
	74,645
Less: Accumulated Depreciation	<u>64,299</u>
Net Property and Equipment	<u>\$ 10,346</u>

E. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2011:

Note payable to bank due on demand, or if no demand is made, then in monthly installments of \$587.98 with one final balloon payment due on September 24, 2015, bearing interest at six percent per annum secured by deposit accounts and other UCC collateral.	\$ 67,179
Note payable to bank due December 1, 2019, payable in monthly installments of \$66.67, bearing no interest, and secured by the pledge of a mortgage receivable.	6,866
Note payable to bank due June 1, 2019, payable in monthly installments of \$66.67, bearing no interest, and secured by the pledge of a mortgage receivable	6,400

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

E. LONG-TERM DEBT - continued

Note payable to bank due November 1, 2018, payable in monthly installments of \$66.67 bearing no interest, and secured by the pledge of a mortgage receivable. \$ 5,853

Note payable to bank due December 1, 2018, payable in monthly installments of \$66.67 bearing no interest, and secured by the pledge of a mortgage receivable. 5,866

Note payable to bank due August 1, 2019, payable in monthly installments of \$66.67 bearing no interest, and secured by the pledge of a mortgage receivable. 6,533

Total	98,697
Less: Current Maturities	<u>(7,116)</u>
Total Long-Term Debt	<u>\$ 91,581</u>

Maturities of Long-Term Debt are as follows:

Year Ended June 30,

2012	\$ 7,116
2013	7,308
2014	7,512
2015	7,729
2016	57,514
Thereafter	<u>11,518</u>
Total	<u>\$ 98,697</u>

F. PRIOR PERIOD ADJUSTMENT

Management has determined that certain reimbursed grant disbursements that were accounted for in the current period should have been on the prior period statements. As a result, the 2010 balances have been updated to reflect the change. Cash contributions were reduced \$154,382. The effect of the restatement on retained earnings as of July 1, 2010 was an increase of \$154,382. Net income for the year ended June 30, 2011 decreased \$154,382.

LAFAYETTE HABITAT FOR HUMANITY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

G. CASH FLOW DISCLOSURES

Interest paid for the year ended June 30, 2011 totaled \$3,906.

Non-cash investing and financing transactions for the year ended June 30, 2011 consisted of the issuance of non-interest bearing mortgage loans on home sales as follows:

Non-interest bearing mortgage loans issued	\$ 451,041
Discount of non-interest bearing mortgage loans	<u>(34,605)</u>
Transfers to homeowners subject to non-interest mortgage loans, net of discount	<u>\$ 416,436</u>

H. CONCENTRATION OF CREDIT RISK

Habitat builds and rehabilitates houses in the Lafayette and surrounding areas. As a result, all of the mortgages receivable from homeowners are concentrated as to geographic risk. Also, all houses built are transferred to low-income families, which can represent a credit risk.

Habitat maintains checking and savings accounts with three institutions in Lafayette, Louisiana. The accounts were insured by Federal Deposit Insurance Corporation (FDIC) and balances in the accounts did not exceed the FDIC insurance limits during the fiscal year.

I. OPERATING LEASE

In September 2009 the Organization entered into an operating lease for office space in Lafayette. The agreement commenced on September 1, 2009 and shall terminate December 31, 2011. Fee for the use of this space is \$500 plus a utility usage fee which for 2010 was \$75 per month.

Future Lease Obligation:
2012 \$3,450

Rent expense related to this lease for the year ended June 30, 2011 was \$6,900.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

I. OPERATING LEASE - continued

In March 2011 the Organization renewed its operating lease for retail space in Lafayette. The renewed agreement commenced on April 1, 2011 and shall terminate March 31, 2012. Fee for the use of this space is \$2,165.62 per month.

Future Lease Obligation:

2012 \$19,491

Rent expense related to this lease for the year ended June 30, 2011 was \$25,987.

J. FINANCIAL INSTRUMENTS

The fair values of Habitat's financial instruments are as follows:

Cash and short-term investments – The carrying amount approximates fair value because of the short maturities of those investments.

Bank loans payable – Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

K. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2011, the date which the financial statements were available to be issued.

LAFAYETTE HABITAT FOR HUMANITY, INC

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES		SUPPORTING SERVICES		
	CONSTRUCTION	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Compensation and Related Expenses					
Salaries	\$ 106,352	\$ 35,639	\$ 111,809	\$ -	\$ 253,800
Employee Benefits					
Medical	12,539	5,292	14,041	-	31,872
Payroll Taxes	8,397	2,607	8,828	-	19,832
	<u>127,288</u>	<u>43,538</u>	<u>134,678</u>	<u>-</u>	<u>305,504</u>
Building Materials and Supplies	477,000	-	-	-	477,000
Administrative Cost	2,274	-	3,869	-	6,143
Food & Lodging	394	-	152	-	546
Fuel	6,364	-	-	-	6,364
Fundraising	-	-	-	7,295	7,295
Depreciation	9,204	-	-	-	9,204
Interest Expense	-	-	3,906	-	3,906
Insurance	-	-	47,986	-	47,986
Training	-	-	5,989	-	5,989
Membership Fees	-	-	1,390	-	1,390
Miscellaneous	5,686	19,615	7,900	-	33,201
Office Expense	-	-	3,442	-	3,442
Postage and Printing	319	-	1,017	-	1,336
Professional Services	-	-	11,919	-	11,919
Rent	-	25,987	6,900	-	32,887
Repairs and Maintenance	4,779	-	450	-	5,229
Supplies & Tools	10,685	-	-	-	10,685
Telephones	-	-	9,562	-	9,562
Utilities	2,557	-	5,320	-	7,877
Vehicle Costs	-	-	120	-	120
Volunteer Costs	14,718	-	-	-	14,718
Website	-	-	2,319	-	2,319
	<u>-</u>	<u>-</u>	<u>2,319</u>	<u>-</u>	<u>2,319</u>
TOTAL	<u>\$ 661,268</u>	<u>\$ 89,140</u>	<u>\$ 246,919</u>	<u>\$ 7,295</u>	<u>\$ 1,004,622</u>

See Independent Auditors' Report

WRIGHT, MOORE, DeHART, DUPUIS & HUTCHINSON, L.L.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lafayette Habitat for Humanity, Inc.
Lafayette, Louisiana

We have audited the financial statements of Lafayette Habitat for Humanity, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting as a basis for reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2011-1, 2011-2, 2011-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette Habitat for Humanity, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lafayette Habitat for Humanity, Inc.'s response to the findings identified in our audit is described in the accompanying Management Corrective Action Plan. We did not audit Lafayette Habitat for Humanity, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, others within the organization, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

November 1, 2011
Lafayette, Louisiana

LAFAYETTE HABITAT FOR HUMANITY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

We have audited the financial statements of Lafayette Habitat for Humanity, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of June 30, 2011 resulted in an unqualified opinion.

Section I – Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u>X</u> Yes	___ No
Significant Deficiencies	<u>X</u> Yes	___ No

Compliance

Compliance Material to Financial Statements	___ Yes	<u>X</u> No
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Section II – Financial Statement Findings

Finding No. 2011-1

Statement of Condition:

Significant number of adjusting journal entries which had a material effect on the financial statements.

Effect of Condition:

The condition resulted in the auditors proposing numerous and material adjusting journal entries.

Cause of Condition:

Management did not establish an effective structure of internal control and did not maintain effective oversight to assure that controls were in place and functioning as designed.

Recommendation

Management should implement procedures to insure that an adequate structure of internal control is in place and functioning as designed.

Finding No. 2011-2

Statement of Condition.

Organization doesn't provide annual statements or other information reporting to mortgagees.

Effect of Condition:

There is no affect on the financial statements of the Organization.

Cause of condition

Management did not have the ability to generate these statements with their software.

Recommendations:

Management has purchased software to allow statements to be mailed which will be implemented in the subsequent year.

LAFAYETTE HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings - continued

Finding No. 2011-3

Statement of Condition.

Organization only reports the amount of the first mortgage, rather than the total sales price of homes on the Form HUD-1.

Effect of Condition:

The condition resulted in the auditors proposing numerous and material audit adjusting journal entries.

Cause of condition

Management has policy of reporting the purchase price on the HUD-1 at the balance of the first mortgage because it is anticipated that the second mortgage will be forgiven if the purchaser meets certain program requirements.

Recommendation:

Management should consider reporting the entire sales price of home on the HUD-1 and in their internal financial statements.

Section III – Federal Award Findings and Questioned Costs

This section is not applicable.

LAFAYETTE HABITAT FOR HUMANITY, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

ML2010 - 1

Finding:

Significant and material reconciling items had not been corrected or researched adequately. Accounts affected included cash, mortgages receivable, and construction in process.

Follow-up:

Resolved.

ML2010 - 2

Finding:

Organization doesn't provide annual statements or other information reporting to mortgagees.

Follow-up:

Unresolved – See current year finding 2011-2.

ML2010 - 3

Finding:

No mechanism for tracking delinquent mortgages or foreclosures in process.

Follow-up:

Resolved

ML2010 - 4

Finding:

Organization only reports the amount of the first mortgage, rather than the total sales price of homes on the Form HUD-1.

Follow-up:

Unresolved – See current year finding 2011-3.

ML2010 - 5

Finding:

Significant number of adjusting journal entries which had a material effect on the financial statements.

Follow-up:

Unresolved – See current year finding 2011-1

CORRECTIVE ACTION PLAN

JUNE 30, 2011

Louisiana Legislative Auditor

Lafayette Habitat for Humanity, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2011.

Finding No. 2011-1

Recommendation: Management should implement procedures to insure that all accounts are reconciled at year end and all activity is recorded to limit the amount of audit entries necessary.

Action Taken: Management has implemented procedures to monitor their internal controls in order to reduce significant and material reconciling items at year end.

Finding No. 2011-2

Recommendation: Management should at minimum send mortgagees an annual statement regarding their balances.

Action Taken: Management has purchased software and will begin sending statements out as soon as possible.

Finding No. 2011-3

Recommendation: Management should consider reporting the entire sales price of home on the HUD-1 and in their internal financial statements.

Action Taken: Management feels that in light of the fact that the second mortgage will be forgiven upon clients meeting predetermined criteria, that recording the home sale based on the first mortgage provides more relevant and meaningful information for management's use on its internally prepared financial statements.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Adrian Boyle, Finance Director of Lafayette Habitat for Humanity, Inc. at (337) 261-5041.

Sincerely yours,



Melinda Taylor, Executive Director
Lafayette Habitat for Humanity, Inc.